Senate

COMMITTEE ON TAXATION

Minutes of Meeting -- April 16, 1969

Committee members present:

James Gibson, Chairman
Carl F. Dodge
Coe Swobe
James Slattery
Marvin L. White
Mahlon Brown
M. J. Christensen

Others present were:

Curt Blyth	Nevada Municipal Association
Roy Nickson	Nevada Tax Commission
Don Peckham	Washoe County Assessor
Dave Henry	Clark County Manager
Ray Knisley	
Senator Settlemeyer	
Senator Pozzi	
Assemblyman Ashworth	
Assemblyman Hafen	
Assemblyman Smith	
Assemblyman Hilbrecht	

Press representatives

Chairman Gibson called the meeting to order. There were several bills under consideration.

AB-360 Committee on Taxation.
Clarifies methods and procedures involved in valuation and assessment of property. Executive estimate of cost: None.

Chairman Gibson stated that there had been objections to the last amendment to this bill and asked Mr. Nickson and anyone else who wished to state their opinions on this.

Mr. Don Peckham, Washoe County Assessor and president of the Nevada Assessors Association, explained that this bill was originally introduced by the Nevada Assessors with the help of the Nevada Tax Commission and the main concern or need of the assessors in this bill was to be able to examine the records of any person or organization doing business in the county. The last amendment on line 13 the word "replacement" is removed, which indicates that they would have to go to the original cost on buildings -- this doesn't in any way comply with the appraisal process. Mr. Peckham also referred to an exhibit marked "Westfield Village" for demonstration purposes (see attached), and went over this with the Committee. He stressed that the auditors want the right to audit books and subpoena records.

Mr. Nickson of the Nevada Tax Commission spoke on this subject, and referred to a letter to Chairman Gibson demonstrating the ramifications of Assembly Bill 360 if it is implemented (see attached). Mr. Knisley said that this is not good taxation, and that he felt the "subpoena power" should be put back into the bill, but not the replacement factor. Mr. Henry added his comments in this regard. Chairman Gibson then requested Mr. Nickson to write out the amendments he wishes to see added to this bill. No action was taken at this time.

AB-546 Proposed by Committee on Taxation.
Eliminates casino entertainment tax on admissions.

Mr. Ashworth gave some of the history of this proposed legislation, stating that in the fall of last year they had started showing motion pictures at the Sahara-Tahoe -- before they started this he had written a letter to the Gaming Commission asking for a decision relative to the casino entertainment tax on the admissions because they had a verbal opinion that it wasn't taxable and then that it was taxable. He received word from the Commission subsequently that in NRS 463.401 through 406 that admissions were included; however, they added that as far as they were concerned it was an area where it was difficult for them to enforce and would produce very little revenue to the state and they would have no objection to the tax on admissions being eliminated. Mr. Ashworth then read (in part) a letter from Mr. Ed Bowers of the Nevada Gaming Commission. He added that this bill has been amended in conjunction with Mr. Daykin into its present form. No committee action was taken at this time.

AB-780 Proposed by Committee on Taxation.
Revises budget procedures for local governments; provides method for adjustment of property tax rates to meet constitutional limitations.

Mr. Hafen stated that this bill had come about upon the request of various governmental subdivisions throughout the state. He explained that the concept of the bill is to say that the local government entities must sit down, must work out their budgets within the $5.00 tax rate and if they don't then the Tax Commission receives a transcript of their proceedings and the Tax Commission reduces the budgets and the cities and counties have no recourse. There are provisions and signaling devices in here that make it so it would be a lot more desirable for the governing bodies to work this out themselves. If they don't agree in the final analysis it goes to the Tax Commission -- the Tax Commission at their discretion sets their budget and that's it. There is no provision for hearings or anything similar before the Tax Commission, and that basically is the purpose of this bill. Mr. Hafen also pointed out that SB-128 has been incorporated in this bill, and went further into detail on some of the provisions.

Action was held on AB-780 for further clarification.

There being no further business, the meeting was adjourned.

Respectfully submitted,

Patricia F. Burke

Patricia F. Burke,
Committee secretary

10-193-02.

BK. PG.	LOT 2 BLK. E. WESTFIELD VILLAGE.			LAND	IMP.
198/134	6/5/47	$10,000.00	WESTERN REALTY TO MERRICK	2000	8000.
					80%
220/594	7/29/48	13,000.00	MERRICK TO GRAHAM		6400
323/134	5/18/53	16000.00	GRAHAM TO CROSS		35
					2240
733/362	1/27/64	18,000.00	CROSS TO SPRINKLE		
124/645	10/20/65	18500.00	SPRINKLE TO WOOD.		

INVESTIGATION IN THE AREA INDICATES THAT HOUSES RENT AT BETWEEN 144 & 148 TIMES THEIR GROSS RENT. SUBJECT HOUSE RENTED AT $125.00 PER MONTH AT TIME OF SALE. $125.00 × 144 = $18000.00.

REPLACEMENT COST NEW 1965.	15170.00	80%
REPLACEMENT COST LESS NORM. DEP.	12140	
ESTIMATED LAND VALUE	4500	
	16640	
	35	
	5825 × 5.00 291.25	

PROPOSED BY AMENDMENT.

ESTIMATED COST OF BLDG. NEW.	8000
LESS NORMAL DEPRECIATION (80%)	6400
ESTIMATED LAND VALUE	4500
	10900.
	35%
	3815 × 5.00 = 190.75
	$100.50

STATE OF NEVADA
Nevada Tax Commission
CARSON CITY, NEVADA 89701

PAUL LAXALT, Governor, Chairman • ROY E. NICKSON, Secretary

April 16, 1969

The Honorable James I. Gibson, Senator
Chairman, Senate Taxation Committee
Senate Chambers
State Capitol Building
Carson City, Nevada 89701

Re: Assembly Bill 360.

Dear Senator Gibson:

As a means of demonstrating the ramification of Assembly Bill 360 if implemented, we have drawn the following example:

Hotels "A", "B" and "C" - identical structures built side by side in 1941 with a 40 year life expectancy. The cost to construct the hotels in 1941 was 1 million dollars each. (Note: Based on the 1957-59 value of $1.00, the 1941 CPI was $.513.)

ASSESSMENT UNDER AB 360 - 1969

FACTOR A: The price at which the property was sold to the present owner plus any subsequent improvements and minus any depreciation computed according to the estimated life of such improvements.

Hotel "A": Sold one month after completion in 1941 for construction cost. Now has a 16 year life remaining; structure is 49 percent good.

Sales price	$1,000,000.
Less 51% depreciation	- 510,000.
Value	$ 490,000.

Hotel "B": Sold in 1957 for replacement cost new less standard allowance for depreciation, i.e., 25 years life remaining; structure 62 percent good. CPI = $1.00.

Replacement cost new	$1,949,300.
Less 38% depreciation	- 740,734.
1957 Sales price	$1,208,566.
Less additional 13% depreciation (16 yr. life, 49% good)	- 253,409.
Value	$ 955,157.

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Hotel "C": Sold in 1968 for replacement cost new less standard allowance for depreciation, i.e., 16 years life remaining; structure 49% good.

Replacement cost new	$2,368,420.
Less depreciation 51%	- 1,207,890.
Sales price (value)	$1,160,530.

FACTOR B: The market value of the property as evidenced by comparable sales in the vicinity.

Hotel "C" sold in 1968 for replacement cost new less standard allowance for depreciation, i.e., 16 years life remaining; structure 49% good. 1968 CPI - $1.215.

	Hotel "A"	Hotel "B"	Hotel "C"	
Value	$1,160,530.	$1,160,530.	Replacement cost new	$2,368,420.
			Less depreciation 51%	- 1,207,890.
			Sales price (value)	$1,160,530.

FACTOR C: The value of the land plus the cost of any improvements less a reasonable allowance for depreciation computed according to the estimated life of such improvements.

All structures have 16 years life remaining are 49% good.

	Hotel "A"	Hotel "B"	Hotel "C"
Original cost	$1,000,000.	$1,000,000.	$1,000,000.
Less 51% deprec.	- 510,000.	- 510,000.	- 510,000.
Value	$ 490,000.	$ 490,000.	$ 490,000.

Computation of value under Assembly Bill 360 requiring equal weight to each factor:

	Hotel "A"	Hotel "B"	Hotel "C"
Factor A	$ 490,000.	$ 955,157.	$1,160,530.
Factor B	1,160,530.	1,160,530.	1,160,530.
Factor C	490,000.	490,000.	490,000.
Total	$2,140,530.	$2,605,687.	$2,811,060.
Total ÷ 3 (appraised value)	$ 713,510.	$ 868,562.	$ 937,020.
Assessed value at 35%	$ 249,728.	$ 303,997.	$ 327,957.
Tax @ $5.00	$ 12,486.	$ 15,200.	$ 16,398.
OR	61-1/2% of true value	75% of true value	80.7% of true value

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Computation of value under current law which does not set the weighting.

	Hotel "A"		Hotel "B"		Hotel "C"	
Factor A	-0-	-0- wt.	-0-	-0- wt.	$1,160,530.	33-1/3% wt.
Factor B	$1,160,530.	50% wt.	$1,160,530.	50% wt.	1,160,530.	33-1/3% wt.
Factor C	1,160,530.	50% wt.	1,160,530.	50% wt.	1,160,530.	33-1/3% wt.
Appraised val.	$1,160,530.		$1,160,530.		$1,160,530.	
Ass'd. val. @ 35%	$ 406,185.		$ 406,185.		$ 406,185.	
Tax @ $5.00	$ 20,309.		$ 20,309.		$ 20,309.	

Total tax collected for Hotels "A", "B" and "C" under current law - $60,927.
Total tax collected for Hotels "A", "B" and "C" under AB 360 - 44,084.

Total tax dollars LOSS $16,843.

This is the equivalent of a 27.65 % loss in tax dollars and has the effect of reducing the revenue produced by a $5.00 rate to the equivalent of that produced by a $3.6175 rate.

This means that either additional revenue sources have to be developed, or the assessed valuation ratio increased to offset the revenue loss.

The problem is twofold: 1) AB 360 requires equal weighting, and 2) the original cost of the structure must be determined, depreciated and then given equal weighting. The original cost concept has tremendous impact when considering the boom and depression periods which have affected material costs in the past 70 years.

I will be more than happy to discuss corollary ramifications.

Highest personal regards,

Sincerely,

Roy E. Nickson
Secretary

REN/JCL:hw